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BAKER TALC LIMITED

(NO PERSONAL LIABILITY)

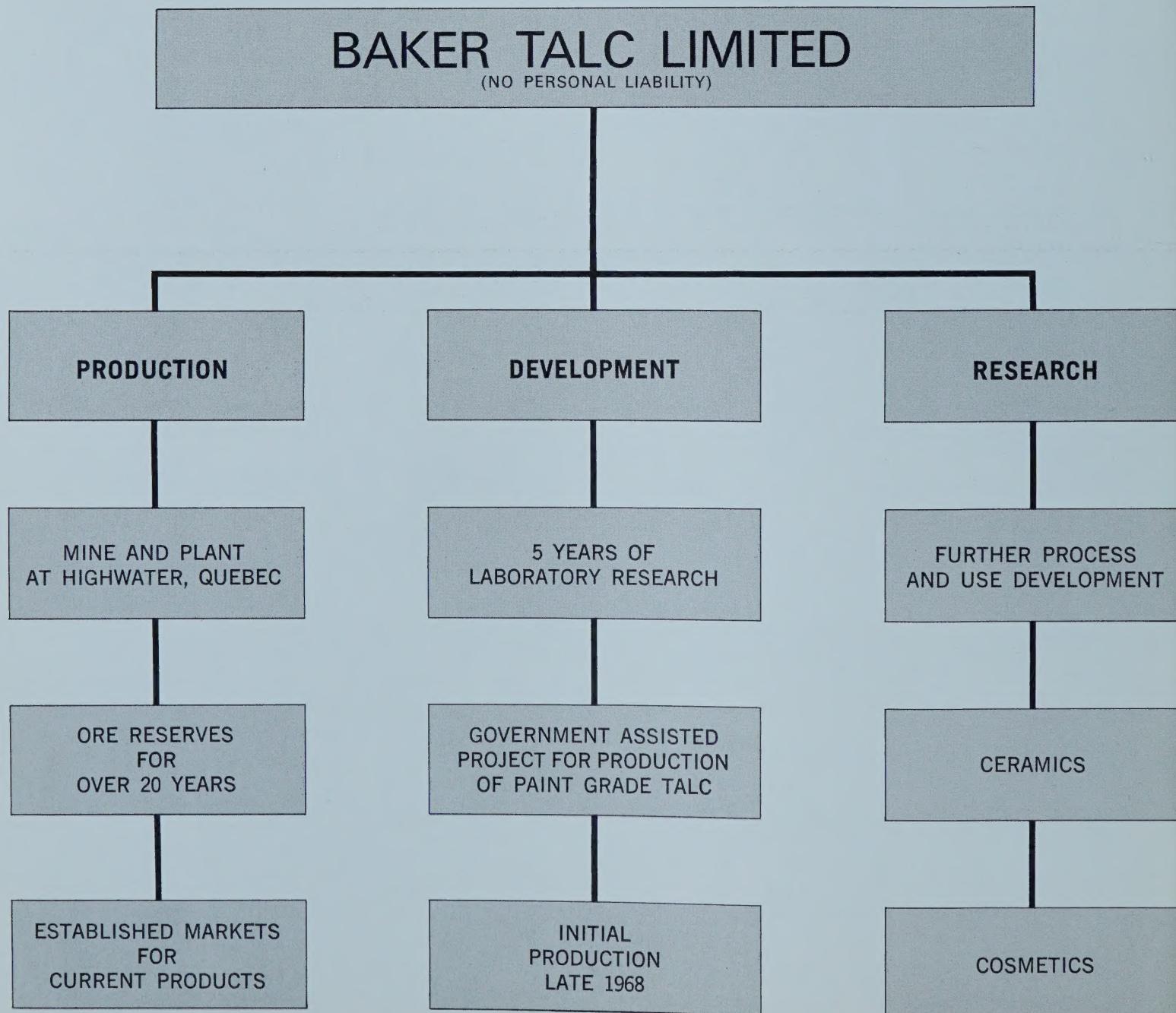
ANNUAL REPORT

FOR THE YEAR ENDING FEBRUARY 29, 1968





“PRODUCT GROWTH”



BAKER TALC LIMITED

(NO PERSONAL LIABILITY)

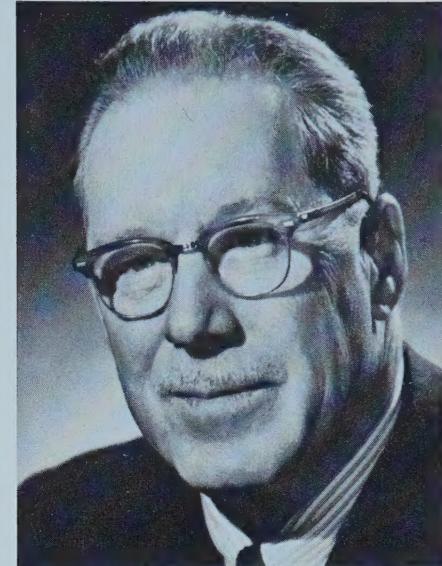
TO THE SHAREHOLDERS OF BAKER TALC LIMITED

Sales for the year ended February 29, 1968 showed a decrease of approximately 5% to \$112,244 from talc production of 8,131 tons. This compares with production of 8,034 tons the previous year, resulting in sales of \$118,240. Operating profit before amortization and depreciation was \$10,798, and after deducting amortization and depreciation, the loss for the year was \$7,934. In 1967 an operating profit of \$16,566 was realized, resulting in a loss of \$2,641, after charges.

Orders booked so far this year are substantially higher. If this rate of increase is maintained, both sales and operating profit should show a marked increase in the coming year.

Your company has substantial ore reserves and a modern and efficient plant, but due to the limited market in Canada for the grades of talc produced, has been restricted to working at 50% of capacity for several years. One recent drill hole indicates the extension of the present ore body for at least 100 feet, representing possibly 200,000 tons of ore beneath the present workings.

The future of the company depends upon broadening the range of quality of its products. Test work to date has shown that the brightness of the talc can be increased from 78 to 88%. This would meet the requirements for use as a filler in plastics, paints and other high grade products. It would increase the sales value of our talc to from \$60.00 to \$80.00 per ton, as compared with our present prices of \$10.50 to \$22.00 per ton.



R. P. Mills

Test work is now being completed and a flow sheet and engineering data assembled for the installation of equipment at the Baker plant to produce these higher grades of talc. It is hoped that production can be achieved on a trial basis before the end of the year.

Your company's sales in recent years have been limited to the Canadian market due to the high cost of transportation as related to the low sales value of the product. On lower grades of talc, transportation costs are almost 50% of sales value. This negative factor will be overcome on the higher grades of talc with their sharply increased sales values, allowing the company to establish markets in both the United States and Europe.

Your Directors submit for your consideration the Annual Report for the year ending February 29, 1968, together with Balance Sheet, Statement of Profit and Loss and Development Expenses, and the Auditors' Report thereon.

Notice of the Annual Meeting of Shareholders to be held in the Head Office of the Company, Suite 400, 621 Craig St., West, Montreal, Quebec, on the 25th day of June, 1968, is enclosed. A proxy form, in case you cannot attend the Meeting in person, is included.

Respectfully submitted on behalf of the Board of Directors,

A handwritten signature of R.P. Mills.

Montreal, Quebec.
May 22, 1968.

R.P. MILLS, President.

BAKER TALC LIMITED

(NO PERSONAL LIABILITY)

(INCORPORATED UNDER THE QUEBEC MINING COMPANIES' ACT ON JANUARY 21, 1952)

Statement I

BALANCE SHEET — FEBRUARY 29, 1968

ASSETS

CURRENT ASSETS:

Cash on hand and in bank	\$ 1,427.23
Accounts receivable	9,821.36
Inventory of talc, materials and supplies, at the lower of cost or net realizable value	14,262.86
Prepaid insurance and taxes	733.55
INVESTMENT — shares of a mining company	1.00
FIXED ASSETS — at cost:	
Buildings and machinery	248,697.10
Railway siding	2,553.83
Truck	7,200.00
Less: Accumulated depreciation	\$ 258,450.93
Land, mineral rights, and mining claims held under development licenses (Note)	188,423.43 70,027.50
DEFERRED EXPENDITURES — at cost less amounts written off:	
Development expenditures (Statement III)	252,755.04
ORGANIZATION EXPENSES	2,720.00
	\$467,671.11

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Bank loan (partly secured)	\$ 11,000.00
Accounts payable and accrued charges	5,088.79
Advances — related company	11,500.00

CAPITAL STOCK LESS DEFICIT:

Capital stock —	
Authorized —	
4,000,000 shares of \$1.00 par value each	\$4,000,000.00
Issued —	
For net assets of predecessor company	Shares Discount Net
182,090 — \$ 182,090.00	
For cash	1,424,505 (1,007,700.00) 416,805.00
	1,606,595 \$(1,007,700.00) 598,895.00
DEFICIT (Statement II)	158,812.68
	440,082.32
	\$467,671.11

NOTE: The amount at which the mining rights are recorded does not, and does not purport to, represent their present or future value.

Signed on Behalf of the Board :

R. P. MILLS, Director

J. O. SABOURIN, Director

AUDITORS' REPORT

To the Shareholders of

Baker Talc Limited (No Personal Liability):

We have examined the balance sheet of Baker Talc Limited (No Personal Liability) as at February 29, 1968 and the statement of profit and loss and deficit for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at February 29, 1968 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants

BAKER TALC LIMITED

(NO PERSONAL LIABILITY)

(INCORPORATED UNDER THE QUEBEC MINING COMPANIES' ACT ON JANUARY 21, 1952)

Statement II

STATEMENT OF PROFIT AND LOSS AND DEFICIT FOR THE YEAR ENDED FEBRUARY 29, 1968

Sales		\$112,244.35
Cost of sales :		
Inventory — March 1, 1967	\$ 10,144.45	
Mining	23,981.69	
Milling and manufacturing	74,482.44	
	<u>\$108,608.58</u>	
Less: Inventory — February 29, 1968	14,262.86	94,345.72
		<u>\$ 17,898.63</u>
Administration expenses:		
Bank interest and charges	\$ 354.79	
Legal and audit	1,100.00	
Management and administrative services	3,600.00	
Reports to shareholders	525.67	
Travelling	227.93	
Taxes and licenses	579.07	
Transfer agent's fees	50.00	
Miscellaneous	662.76	7,100.22
		<u>\$ 10,798.41</u>
Amortization of development expenditures incurred in talc operations, at \$1.25 per ton	\$ 9,338.75	
Depreciation	9,393.76	18,732.51
		<u>7,934.10</u>
Gain on disposal of fixed asset		662.44
Net loss for the year		7,271.66
Deficit, February 28, 1967		151,541.02
Deficit, February 29, 1968 (Statement I)		<u>\$158,812.68</u>

Statement III

STATEMENT OF DEVELOPMENT EXPENDITURES

FROM MARCH 1, 1967 TO FEBRUARY 29, 1968

	Balance March 1, 1967	Expended during the year	Balance February 29, 1968
Wages	\$120,378.93	\$ 1,755.42	\$122,134.35
Supplies	28,122.36	661.47	28,783.83
Repairs	11,253.80	—	11,253.80
Travelling expenses	629.40	64.00	693.40
Transportation	7,078.37	629.75	7,708.12
Miscellaneous	1,996.55	191.14	2,187.69
Taxes, fees and licenses	3,138.38	136.00	3,274.38
Engineering	23,818.14	2,500.00	26,318.14
Rental of equipment	3,520.49	—	3,520.49
Assays	2,663.37	—	2,663.37
Automobile expenses	3,310.25	50.00	3,360.25
Diamond drilling — Wages	1,362.16	—	1,362.16
— Supplies	1,555.01	—	1,555.01
— Contract	50,314.69	—	50,314.69
Dynamite and caps	20,977.09	436.39	21,413.48
Buildings and equipment	14,618.11	—	14,618.11
Administration	5,066.13	—	5,066.13
Trucking — Wages	804.14	—	804.14
— Supplies and repairs	1,244.69	—	1,244.69
Electricity	12,651.47	1,143.05	13,794.52
Geophysical surveys	4,726.60	—	4,726.60
Dry room	295.57	—	295.57
Commissary supplies	2,147.33	—	2,147.33
Telephone and telegraph	655.04	92.71	747.75
Unemployment insurance	926.75	57.10	983.85
Workmen's compensation	3,691.34	266.39	3,957.73
Insurance	5,040.51	761.74	5,802.25
Mining rights abandoned	1,250.00	—	1,250.00
Quebec Pension Plan	85.79	74.15	159.94
Development expenses from incorporation to February 29, 1952	\$ 42,902.39	—	\$ 42,902.39
	\$376,224.85	\$ 8,819.31	\$385,044.16
Less: Written off to profit and loss	122,950.37	9,338.75	132,289.12
Total carried to balance sheet (Statement I)	\$253,274.48	(519.44)	252,755.04

SUMMARY

Incurred by prior interests	\$ 42,902.39	—	\$ 42,902.39
On talc mining rights	205,305.57	\$ 7,283.31	212,588.88
On Chibougamau claims	70,555.35	1,400.00	71,955.35
On mining rights and options abandoned	17,233.12	—	17,233.12
Undistributed	40,228.42	136.00	40,364.42
As above, before write-off to operations	\$376,224.85	\$ 8,819.31	\$385,044.16



Bagging talc at Baker Talc Limited plant, Highwater, Quebec.



Laboratory testing of talc sample from Baker Talc Limited.

TO THE PRESIDENT AND DIRECTORS, BAKER TALC LIMITED

Dear Sirs :

Sales in the year ended February 29, 1968 were 8,131 tons with a gross value of \$112,244. Operating profit was \$10,798.

It has been recognized for some time that future growth for your company lies in the production of higher grades of talc. The ore and the present product contains several minerals besides talc. For some five years Baker Talc has been working on a process for the removal of these other minerals to produce a material consisting essentially of pure talc. This process is based on the Jones Wet Magnetic Separator. Recent modifications in design and new techniques of operation of the Jones Separator have brought this process much closer to

the stage of practical production.

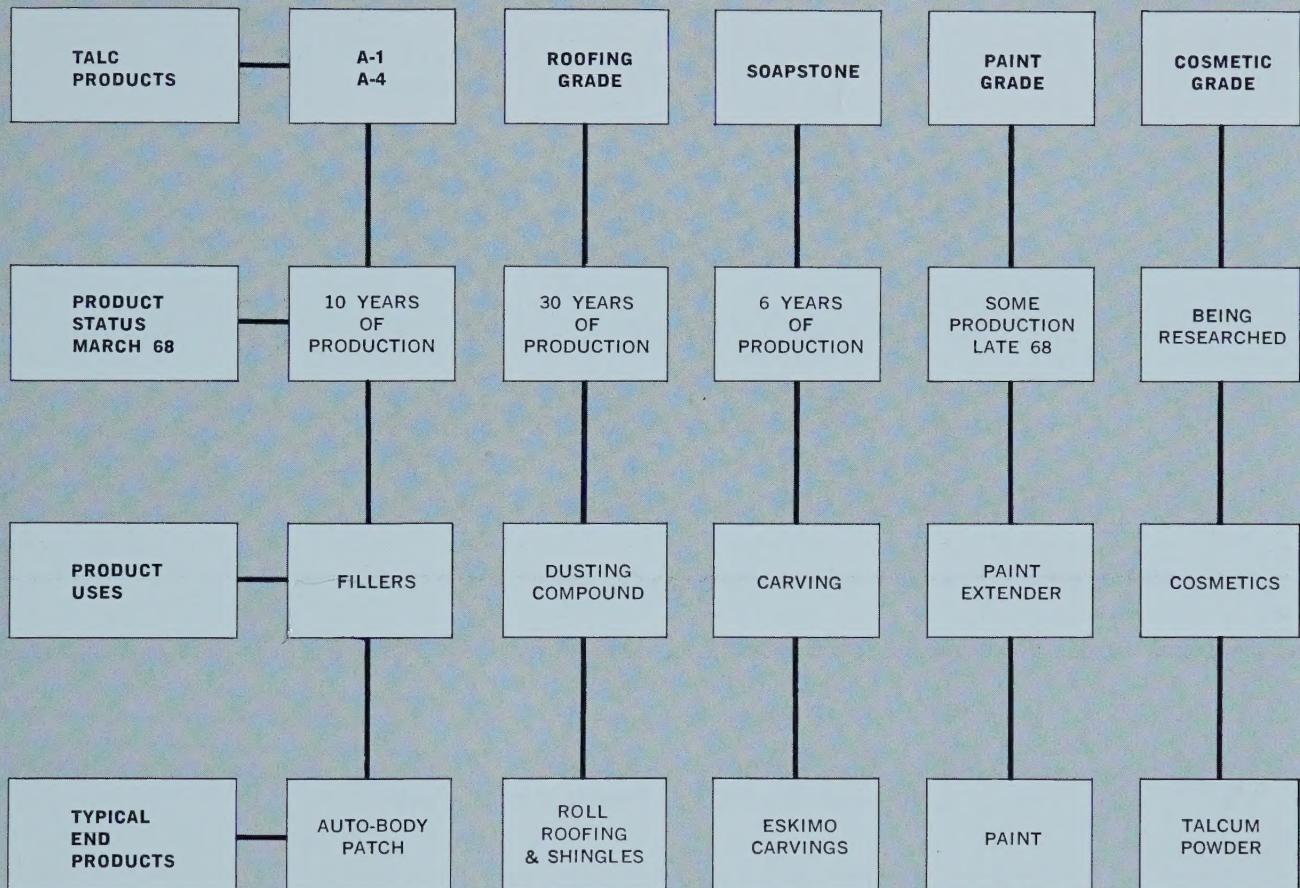
A large market for higher grade talcs used in cosmetics and as extenders in paints and plastics exists in Canada. Imported talcs are being used for these purposes at present. The Department of Industry in Ottawa has approved a loan of \$132,975 under its Program for the Advancement of Industrial Technology (P.A.I.T.) to perfect the techniques of up-grading the talc. This work is now being carried out by Ferro-Magnetics Ltd. at its Prescott, Ontario, laboratory. The results of this work to date are very encouraging, and it is expected that production on a trial basis will be achieved before the end of the year.

Montreal, Quebec,
May 14, 1968.

Respectfully submitted,

J.H. Morgan, Ph.D.,
Vice-President & General Manager.

BAKER PRODUCTS



BAKER TALC LIMITED

(NO PERSONAL LIABILITY)

OFFICERS

President: R. P. Mills

Vice-President and General Manager: J. H. Morgan, Ph. D.

Secretary-Treasurer: J. O. Sabourin, F.C.I.S.

Director of Research: W. J. D. Stone

DIRECTORS

John McG. Home, Q.C., Westmount, Quebec

Ian C. Miller, Montreal, Quebec

R. P. Mills, Westmount, Quebec

J. H. Morgan, Ph. D., Montreal, Quebec

J. O. Sabourin, F.C.I.S., Pointe Claire, Quebec

REGISTRAR AND TRANSFER AGENT

Administration & Trust Company,
10 St. James Street West, Montreal 1, Quebec.

AUDITORS

Price Waterhouse & Co.

HEAD OFFICE

Suite 400, 621 Craig St. W., Montreal 3, Quebec
Telephone No. 861-9233.

MINE OFFICE

Highwater, Quebec.

The Annual General Meeting of Shareholders will be held at Suite 400, 621 Craig St. W., Montreal 3, Quebec on June 25th, 1968, at 11:00 o'clock in the forenoon (Eastern Daylight Saving Time).

NEWS FROM:

Baker Talc Limited,
Suite 400,
621 Craig St. W.,
Montreal 3, Quebec.

Montreal, Quebec, June 10, 1968.

FOR RELEASE: 10 June, 1968. ~~Test and engineering work are being~~
~~assessed for the installation of equipment at the plant to~~
~~produce three higher grades of talc.~~

BAKER TALC TO IMPROVE
PRODUCT QUALITY, VALUE

~~Montreal, June 10, 1968 -- Baker Talc Limited, whose~~
~~mine and mill is located at Highwater, Que., plans to improve the~~
~~quality and sales value of its talc products this year, R.P. Mills,~~
~~president, said in his annual report to shareholders for the year~~
~~ended Feb. 29, 1968.~~

"The future of the company depends upon broadening the range of quality of its products," he said in the report mailed to shareholders yesterday.

"Test work to date has shown that the brightness of the talc can be increased from 78 to 88 per cent. This would meet the requirements for use as a filler in plastics, paints and other high grade products. It would increase the sales value of our talc to from \$60 to \$80 per ton, as compared with our present prices of \$10.50 to \$22 per ton," he said.

Test work utilizing the Jones Wet Magnetic Seperator is now being completed by Ferro-Magnetics Ltd. of Prescott, Ont., with the assistance of \$132,975 support from the Federal Department of Industry under its Program for the Advancement of Industrial Technology (P.A.I.T.). A flow sheet and engineering data are being assembled for the installation of equipment at the Baker plant to produce these higher grades of talc.

"It is hoped that production can be achieved on a trial basis before the end of the year," Mr. Mills said.

Sales for the year ended Feb. 29, 1968, declined 5 per cent to \$112,244 from talc production of 8,131 tons, and compared with sales a year earlier of \$118,240 from production of 8,034 tons. Operating profit in the 1968 period was \$10,798, resulting in a net loss after charges of \$7,934, compared with an operating profit of \$16,566 in 1967 and a net loss of \$2,641.

"Orders booked so far this year are substantially higher," Mr. Mills said. "If this rate of increase is maintained, both sales and operating profit should show a marked increase in the coming year."

Mr. Mills said the company has substantial ore reserves. Sales in recent years have been limited to the Canadian market due to the high cost of transportation related to the low sales value of the product.

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"This negative factor will be overcome on the higher grades of talc with their sharply increased sales values, allowing the company to establish markets in both the United States and Europe," he said.

Baker Talc's annual meeting of shareholders will be held in the company's head office, Suite 400, 621 Craig St. W., Montreal, Quebec, at 11:00 am, June 25.

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INFORMATION CONTACT: Mr. R.P. Mills,
President,
(514) 861-9233.

